



State of New Mexico
Rio Gallinas Charter School

Annual Financial Report
June 30, 2016

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Clovis, New Mexico



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State of New Mexico
Rio Gallinas Charter School
Official Roster
June 30, 2016

Governing Council

Crystal Gallegos	Chairman
Rudy Castellano	Vice-Chairman
Carol Winkel	Interim Secretary
Michael Immerman	Member
Rudy Castellano	Member
Emilio Aragon	Member
Georgina Ortega	Member

Charter School Officials

Gerald Garcia	Director
Joline Jaramillo	Business Manager

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Governing Council of the Rio Gallinas Charter School

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general funds and major special revenue funds of Rio Gallinas Charter (Charter), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Charter's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Charter's nonmajor governmental funds, and the budgetary comparisons for the major capital projects and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Charter as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the major capital projects and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements , is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2016 on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Charter's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
November 11, 2016

Financial Section

State of New Mexico
Rio Gallinas Charter School
Government-Wide Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 85,519
Due from Grantor	50,824
Total Current Assets	<u>136,343</u>
Noncurrent Assets	
Capital Assets	174,095
Less: Accumulated Depreciation	<u>(156,026)</u>
Total Noncurrent Assets	<u>18,069</u>
Total Assets	<u>154,412</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Changes of Assumptions	52,132
Contributions Subsequent to Measurement Date	<u>72,031</u>
Total Deferred Outflows of Resources	<u>124,163</u>
Liabilities	
Current Liabilities	
Accounts Payable	1,311
Total Current Liabilities	<u>1,311</u>
Noncurrent Liabilities	
Pension Liability	1,444,215
Total Noncurrent Liabilities	<u>1,444,215</u>
Total Liabilities	<u>1,445,526</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	28,099
Investment Experience	6,823
Changes in Proportion	<u>64,985</u>
Total Deferred Inflows of Resources	<u>99,907</u>
Net Position	
Invested in Net Capital Assets	18,069
Unrestricted	<u>(1,284,927)</u>
Total Net Position	<u>\$ (1,266,858)</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Instruction	\$ 785,615	0	\$ 108,437	\$ 0	\$ (677,178)
Support Services					
Students	73,612	4,951	8,860	0	(59,801)
Instruction	1,117	0	87	0	(1,030)
General Administration	67,153	0	0	0	(67,153)
School Administration	136,394	0	0	0	(136,394)
Central Services	147,130	0	0	0	(147,130)
Operation of Plant	143,170	0	68,471	28,322	(46,377)
Student Transportation	23,736	0	0	0	(23,736)
Other	43	0	0	0	(43)
Food Services Operations	27,220	111	48,333	0	21,224
Total Governmental Activities	\$ 1,405,190	\$ 5,062	\$ 234,188	\$ 28,322	(1,137,618)

General Revenues

Federal and State aid not restricted to specific purpose	
General	864,532
Capital	0
Miscellaneous	9,467
Subtotal, General Revenues	<u>873,999</u>
Change in Net Position	(263,619)
Net Position - Beginning	<u>(1,003,239)</u>
Net Position - Ending	<u>\$ (1,266,858)</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Balance Sheet
 June 30, 2016

	General		Special Revenue
	Operational 11000	Instructional Materials 14000	NM Reads to Lead 27114
Assets			
Cash and Cash Equivalents	\$ 79,758	\$ 1,489	\$ 0
Receivables			
Due From Grantor	0	0	0
Interfund Balance	50,824	0	0
Total Assets	<u>\$ 130,582</u>	<u>\$ 1,489</u>	<u>\$ 0</u>
Liabilities			
Accounts Payable	\$ 1,287	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>1,287</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for:			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Unassigned	129,295	1,489	0
Total Fund Balances	<u>129,295</u>	<u>1,489</u>	<u>0</u>
 Total Liabilities and Fund Balances	 <u>\$ 130,582</u>	 <u>\$ 1,489</u>	 <u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Balance Sheet
 June 30, 2016

	<u>Capital Projects</u>		
	<u>Public School Capital Outlay 32100</u>	<u>Senate Bill Nine 31700</u>	<u>Other Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 4,272
Receivables			
Due From Grantor	24,480	26,344	0
Interfund Balance	0	0	0
Total Assets	<u>\$ 24,480</u>	<u>\$ 26,344</u>	<u>\$ 4,272</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 24
Interfund Balance	24,480	26,344	0
Total Liabilities	<u>24,480</u>	<u>26,344</u>	<u>24</u>
Fund Balances			
Restricted for:			
Special Revenue Funds	0	0	4,248
Capital Improvements	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>4,248</u>
Total Liabilities and Fund Balances	<u>\$ 24,480</u>	<u>\$ 26,344</u>	<u>\$ 4,272</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Balance Sheet
 June 30, 2016

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 85,519
Receivables	
Due From Grantor	50,824
Interfund Balance	<u>50,824</u>
Total Assets	<u>\$ 187,167</u>
Liabilities	
Accounts Payable	\$ 1,311
Interfund Balance	<u>50,824</u>
Total Liabilities	<u>52,135</u>
Fund Balances	
Restricted for:	
Special Revenue Funds	4,248
Capital Improvements	0
Unassigned	<u>130,784</u>
Total Fund Balances	<u>135,032</u>
Total Liabilities and Fund Balances	<u>\$ 187,167</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2016

Total Fund Balance - Governmental Funds \$ 135,032

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 174,095	
Accumulated Depreciation	<u>(156,026)</u>	18,069

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	124,163	
Deferred Inflows Related to Pensions	<u>(99,907)</u>	24,256

Long-term and certain other liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of :

Pension Liability		<u>(1,444,215)</u>
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Total Net Position - Governmental Activities		<u><u>\$ (1,266,858)</u></u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2016

	General		Special
	Operational 11000	Instructional Materials 14000	NM Reads to Lead 27114
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	864,532	6,370	22,000
Federal Grants	0	0	0
Miscellaneous	9,467	0	0
Total Revenues	<u>873,999</u>	<u>6,370</u>	<u>22,000</u>
Expenditures			
Current			
Instruction	439,687	7,964	22,000
Support Services			
Students	46,275	0	0
Instruction	853	0	0
General Administration	15,242	0	0
School Administration	136,394	0	0
Central Services	92,840	0	0
Operation of Plant	66,820	0	0
Student Transportation	17,827	0	0
Other	43	0	0
Food Service Operations	19,346	0	0
Total Expenditures	<u>835,327</u>	<u>7,964</u>	<u>22,000</u>
Excess (Deficiency) of Revenues Over Expenditures	38,672	(1,594)	0
Fund Balances at Beginning of Year	<u>90,623</u>	<u>3,083</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 129,295</u>	<u>\$ 1,489</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2016

	<u>Capital Projects</u>		
	<u>Public School Capital Outlay 32100</u>	<u>Senate Bill Nine 31700</u>	<u>Other Governmental Funds</u>
Revenues			
Fees	\$ 0	\$ 0	\$ 5,062
State & Local Grants	68,471	28,322	1,028
Federal Grants	0	0	136,319
Miscellaneous	0	0	0
Total Revenues	<u>68,471</u>	<u>28,322</u>	<u>142,409</u>
Expenditures			
Current			
Instruction	0	28,322	79,352
Support Services			
Students	0	0	22,998
Instruction	0	0	87
General Administration	0	0	369
School Administration	0	0	0
Central Services	0	0	54,290
Operation of Plant	68,471	0	0
Student Transportation	0	0	0
Other	0	0	0
Food Service Operations	0	0	0
Total Expenditures	<u>68,471</u>	<u>28,322</u>	<u>157,096</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(14,687)
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>18,935</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,248</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2016

	Total Governmental Funds
Revenues	
Fees	\$ 5,062
State & Local Grants	990,723
Federal Grants	136,319
Miscellaneous	9,467
Total Revenues	<u>1,141,571</u>
Expenditures	
Current	
Instruction	577,325
Support Services	
Students	69,273
Instruction	940
General Administration	15,611
School Administration	136,394
Central Services	147,130
Operation of Plant	135,291
Student Transportation	17,827
Other	43
Food Service Operations	19,346
Total Expenditures	<u>1,119,180</u>
Excess (Deficiency) of Revenues Over Expenditures	22,391
Fund Balances at Beginning of Year	<u>112,641</u>
Fund Balance End of Year	<u>\$ 135,032</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2016

Excess (Deficiency) of Revenues Over Expenditures \$ 22,391

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (11,768)	
Capital Outlays	<u>0</u>	(11,768)

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension Expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	72,031	
Pension Expense	<u>(346,273)</u>	<u>(274,242)</u>

Changes in Net Position of Governmental Activities \$ (263,619)

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 862,391	\$ 864,532	\$ 864,532	\$ 0
Miscellaneous	0	0	9,467	9,467
Total Revenues	<u>862,391</u>	<u>864,532</u>	<u>873,999</u>	<u>9,467</u>
Expenditures				
Instruction				
Personnel Services	315,584	328,278	321,867	6,411
Employee Benefits	108,038	102,749	92,495	10,254
Professional & Tech Services	3,000	3,605	1,445	2,160
Purchased Property Services	5,250	5,250	4,796	454
Other Purchased Services	14,500	15,173	8,061	7,112
Supplies	6,750	18,716	10,296	8,420
Supply Assets	22,400	19,887	728	19,159
Total Instruction	<u>475,522</u>	<u>493,658</u>	<u>439,688</u>	<u>53,970</u>
Support Services				
Students				
Personnel Services	5,000	5,000	8,504	(3,504)
Employee Benefits	1,178	1,281	2,245	(964)
Professional & Tech Services	50,988	59,671	34,832	24,839
Other Purchased Services	1,330	1,330	0	1,330
Supplies	250	916	694	222
Total Students	<u>58,746</u>	<u>68,198</u>	<u>46,275</u>	<u>21,923</u>
Instruction				
Personnel Services	0	500	347	153
Employee Benefits	0	39	27	12
Supplies	7,000	7,000	479	6,521
Total Instruction	<u>7,000</u>	<u>7,539</u>	<u>853</u>	<u>6,686</u>
General Administration				
Professional & Tech Services	21,850	20,986	12,711	8,275
Other Purchased Services	4,500	4,817	2,531	2,286
Total General Administration	<u>26,350</u>	<u>25,803</u>	<u>15,242</u>	<u>10,561</u>
School Administration				
Personnel Services	102,701	102,701	101,014	1,687
Employee Benefits	26,136	29,081	27,981	1,100
Professional & Tech Services	7,250	9,380	4,729	4,651
Other Purchased Services	1,140	1,140	645	495
Supplies	1,000	1,934	2,025	(91)
Total School Administration	<u>\$ 138,227</u>	<u>\$ 144,236</u>	<u>\$ 136,394</u>	<u>\$ 7,842</u>

State of New Mexico
Rio Gallinas Charter School
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Central Services				
Professional & Tech Services	\$ 84,405	\$ 82,843	\$ 82,846	\$ (3)
Other Purchased Services	0	82	113	(31)
Supplies	10,982	9,981	9,532	449
Supply Assets	0	349	348	1
Total Central Services	95,387	93,255	92,839	416
Operation of Plant				
Personnel Services	11,199	11,199	15,443	(4,244)
Employee Benefits	2,907	2,907	3,863	(956)
Purchased Property Services	34,967	50,685	40,304	10,381
Other Purchased Services	9,077	9,286	9,286	0
Supplies	4,000	2,329	1,012	1,317
Supply Assets	500	0	0	0
Total Operation of Plant	62,650	76,406	69,908	6,498
Student Transportation				
Personnel Services	10,530	11,610	11,580	30
Employee Benefits	2,738	2,738	2,409	329
Purchased Property Services	250	260	184	76
Other Purchased Services	1,502	1,511	1,570	(59)
Supplies	3,500	4,821	2,083	2,738
Total Student Transportation	18,520	20,940	17,826	3,114
Other Support Service				
Other Support Services	5,250	5,255	43	5,212
Total Other Support Service	5,250	5,255	43	5,212
Total Support Services	412,130	\$ 441,632	379,380	62,252
Food Service				
Personnel Services	16,511	\$ 17,511	15,432	2,079
Employee Benefits	4,228	4,228	3,914	314
Other Purchased Services	0	2,000	0	2,000
Total Food Service	20,739	23,739	19,346	4,393
Total Expenditures	908,391	959,029	838,414	120,615
Excess (Deficiency) of Revenues Over Expenditures	(46,000)	(94,497)	35,585	130,082
Cash Balance Beginning of Year	94,997	94,997	94,997	0
Cash Balance End of Year	\$ 48,997	\$ 500	\$ 130,582	\$ 130,082

State of New Mexico
Rio Gallinas Charter School
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>with Final</u>
			<u>Basis)</u>	<u>Budget-</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 35,585	
Net Change in Accounts Payable			3,087	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 38,672</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 5,595	\$ 5,933	\$ 6,370	\$ 437
Total Revenues	<u>5,595</u>	<u>5,933</u>	<u>6,370</u>	<u>437</u>
Expenditures				
Instruction				
Supplies	<u>5,595</u>	<u>9,016</u>	<u>7,964</u>	<u>1,052</u>
Total Instruction	<u>5,595</u>	<u>9,016</u>	<u>7,964</u>	<u>1,052</u>
Total Expenditures	<u>5,595</u>	<u>9,016</u>	<u>7,964</u>	<u>1,052</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(3,083)	(1,594)	1,489
Cash Balance Beginning of Year	<u>3,083</u>	<u>3,083</u>	<u>3,083</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3,083</u>	<u>\$ 0</u>	<u>\$ 1,489</u>	<u>\$ 1,489</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			<u>\$ (1,594)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,594)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-NM Reads to Lead-27114
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State & Local Grants	\$ 32,553	\$ 32,553	\$ 32,553	\$ 0
Total Revenues	<u>32,553</u>	<u>32,553</u>	<u>32,553</u>	<u>0</u>
Expenditures				
Instruction				
Personnel Services	16,000	16,000	18,210	(2,210)
Employee Benefits	4,000	4,000	3,790	210
Supplies	2,000	2,000	0	2,000
Total Instruction	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>0</u>
Total Expenditures	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	10,553	10,553	10,553	0
Cash Balance Beginning of Year	<u>(10,553)</u>	<u>(10,553)</u>	<u>(10,553)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 10,553	
Net Change in Due from Grantor			<u>(10,553)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 970
Total Assets	<u>\$ 970</u>
Liabilities	
Deposits Held for Others	\$ 970
Total Liabilities	<u>\$ 970</u>

The notes to the financial statements are an integral part of this statement.

Summary of Significant Accounting Policies

The financial statements of the Rio Gallinas Charter School (Charter), a component unit of West Las Vegas Schools, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Charter's accounting policies are described below.

Financial Reporting Entity

The Charter has been in existence since 2000, and is currently operating under the provisions of the Public School Charter Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The Charter operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Charter is considered a component unit, since its budget is approved by West Las Vegas School elected officials. GASB Statement No. 14 defines a component unit as one who is not fiscally independent meaning the Charter may not, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Charter has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Charter members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the Charter has a significant relationship.

The accounts of the Charter are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Charter are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

Governmental funds are used to account for the Charter's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

General Fund - The General Fund is the general operating fund of the Charter and accounts for all revenues and expenditures of the Charter not encompassed within other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Charter.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Charter.

The Student Activity Fund, an agency fund, accounts for assets held by the Charter as an agent for the Charter organizations. These organizations exist with the explicit approval of and are subject to revocation by the Charter's Board of Education. This accounting reflects the Charter's agency relationship with the student activity organizations.

Major Funds

The Charter reports the following major governmental funds:

General Fund (11000)(14000). The General Fund consist of two sub funds. The first is the Operational Fund of the Charter and accounts for all revenues and expenditures of the Charter not encompassed within other funds. The Instructional Materials Fund accounts for a state grant to provide text books for students in the Charter.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

Public School Capital Outlay (31200). To account for a grant received from the state for rent for facilities.

Senate Bill Nine (31700). The revenues are derived from a state grant. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Charter's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Charter's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others., and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the Charter-wide financial statements.

Revenues

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school charters).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the Charter and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The Charter follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the Charter for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the Charter shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the Charter for the ensuing fiscal year.
3. The "operating" budget will be used by the Charter until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The Charter shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No school board or officer or employee of the Charter shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the Charter and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the Charter has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

The Charter's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Charter is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Charter may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school Charter which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding;
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both Charter-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Charter as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Charter does not have any activity in short-term debt.

Long-Term Liabilities

For Charter-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Outflows

The Charter reports deferred revenues on its Statement of Net Position and Fund Balance Sheet. Deferred outflows arise when resources are received by the Charter before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Charter has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred outflows also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

A. Deposits and Investments

The Charter is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

Southwest Capital Bank	Balance Per Bank 6/30/16	Reconciled Balance	<u>Type</u>
<u>Name of Account</u>			
Rio Gallinas School for Ecology and the Arts	\$ 173,641	\$ 86,489	Checking
Total Deposited	173,641	<u>86,489</u>	
Less: FDIC Coverage	<u>(173,641)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	<u>0</u>		
Over (Under) requirement	<u>\$ 0</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Balance</u>
Collateralized:	
Insured	<u>173,641</u>
Total Deposits	<u>\$ 173,641</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016 none of the Charter's balance of \$173,641 was exposed to custodial risk.

B. Receivables

Following is a schedule of receivables as of June 30, 2016:

	Public School Capital Outlay 32100	Senate Bill Nine 31700	Total
Due From Grantors:			
State	\$ 24,480	\$ 26,344	\$ 50,824
Federal Agencies	0	0	0
	<u>\$ 24,480</u>	<u>\$ 26,344</u>	<u>\$ 50,824</u>

C. Interfund Receivables, Payables and Transfers

Interfund balances during the year ending June 30, 2016 were as follows:

Due to General Fund from:	
Public School Capital Outlay-32100	\$ 24,480
Senate Bill Nine-31700	26,344
Totals	<u>\$ 50,824</u>

Short term loans from the General Fund to the above fund were to cover costs during the year until the grant revenue is received, the loans will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2016, is as follows:

	Balance 6/30/15	Increases	Decreases	Balance 6/30/16
Governmental Activities				
Capital Assets, being Depreciated				
Buildings Improvements	\$ 29,249	\$ 0	\$ 0	\$ 29,249
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	144,846	0	0	144,846
Total Capital Assets, being Depreciated	<u>174,095</u>	<u>0</u>	<u>0</u>	<u>174,095</u>
Total Capital Assets	<u>\$ 174,095</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 174,095</u>
Less Accumulated Depreciation				
Buildings & Improvements	\$ 11,081	\$ 1,228	\$ 0	\$ 12,309
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	133,177	10,540	0	143,717
Total Accumulated Depreciation	<u>144,258</u>	<u>11,768</u>	<u>0</u>	<u>156,026</u>
Capital Assets, net	<u>\$ 29,837</u>	<u>\$ (11,768)</u>	<u>\$ 0</u>	<u>\$ 18,069</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$	11,768
Total Depreciation Expenses	\$	<u>11,768</u>

E. Commitments

The Charter has no construction commitments on June 30, 2016.

F. Retirement Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

The contribution requirements of defined benefit plan members and the Charter are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$72,031 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the Charter reported a liability of \$1,515,680 for its proportionate share of the net pension liability. The Charter's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the Charter proportion was 0.02340%, which was a decrease of 0.% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Charter recognized pension expense of \$346,273. At the June 30, 2016, the Charter reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 28,099
Changes of assumptions	52,132	0
Net difference between projected and actual earnings on pension plan investments	0	6,823
Changes in proportion and differences between the Charter's contributions and proportionate share of contributions	0	192,909
Charter's contributions subsequent to the measurement date	72,031	0
Total	\$ <u>124,163</u>	\$ <u>227,831</u>

\$72,031 reported as deferred outflows of resources related to pensions resulting from Charter's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension

<u>Year ended June 30:</u>	
2016	\$ (43,925)
2017	(43,925)
2018	(43,925)
2019	(43,925)
Total	\$ <u>(175,699)</u>

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,

Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,

COLAs for most retirees are reduced until NMERB attains a 100% funded status,

These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014, and

For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30,
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

Rate of Return: The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic objections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.).

Discount Rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption: Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2015. In particular, the table presents the District's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Districts' proportionate share of the net pension liability	\$ 2,039,449	\$ 1,515,680	\$ 1,075,660

Pension plan fiduciary net position. Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at www.nmerb.org.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASB Statement 68, paragraphs 122 and 124.

H. Retiree Health Care

Plan Description. The Charter contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Charter's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$10,364, \$13,296 and \$10,006 respectively, which equal the required contributions for each year.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

J. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter expects such amount, if any, to be immaterial.

K. Risk Management

assets; error and omissions; and injuries to employees; and natural disasters. The Charter, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the Charter to NMPSIA for coverage provided in the following areas:

- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the Charter are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

L. Subsequent Events

Subsequent events were evaluated through November 11, 2016, which is the date the financial statements were available to be issued.

**Supplemental Information Related to
Major Funds**

State of New Mexico

Rio Gallinas Charter School

Capital Projects-Public School Capital Outlay-31200

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 14,987	\$ 83,458	\$ 58,978	\$ 24,480
Total Revenues	<u>14,987</u>	<u>83,458</u>	<u>58,978</u>	<u>24,480</u>
Expenditures				
Capital Outlay				
Purchased Property Services	0	68,471	68,471	0
Total Capital Outlay	<u>0</u>	<u>68,471</u>	<u>68,471</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>68,471</u>	<u>68,471</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	14,987	14,987	(9,493)	(24,480)
Cash Balance Beginning of Year	<u>(14,987)</u>	<u>(14,987)</u>	<u>(14,987)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (24,480)</u>	<u>\$ (24,480)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (9,493)	
Net Change in Due from Grantor			<u>9,493</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Capital Projects-Senate Bill Nine-31700
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 18,766	\$ 41,109	\$ 12,183	\$ (28,926)
Total Revenues	<u>18,766</u>	<u>41,109</u>	<u>12,183</u>	<u>(28,926)</u>
Expenditures				
Capital Outlay				
Supply Assets	18,766	30,904	28,322	2,582
Total Capital Outlay	<u>18,766</u>	<u>30,904</u>	<u>28,322</u>	<u>2,582</u>
Total Expenditures	<u>18,766</u>	<u>30,904</u>	<u>28,322</u>	<u>2,582</u>
Excess (Deficiency) of Revenues Over Expenditures	0	10,205	(16,139)	(26,344)
Cash Balance Beginning of Year	<u>(10,205)</u>	<u>(10,205)</u>	<u>(10,205)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (10,205)</u>	<u>\$ 0</u>	<u>\$ (26,344)</u>	<u>\$ (26,344)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (16,139)	
Net Change in Due from Grantor			<u>16,139</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to
Nonmajor Funds**

Food Service (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Title I (24101).To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

IDEA B Entitlement (24106). P.L. 94-142, Individuals with Disabilities Education Act - to account for a federal grant restricted to operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public laws 91-230,93-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

Improving Teacher Quality (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

Title I School Improvement (24162).To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

Medicaid (25153). To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

GO Library Books (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico.

Grow Dome (29102). To account for grants and donations to support the green house for student instruction. Authority is provided by the council.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue Fund		
	Food Service 21000	Title I 24101	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 1,943	\$ 0	\$ 0
Receivables			
Due From Grantor	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 1,943</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for:			
Special Revenue	<u>1,943</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>1,943</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 1,943</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue Fund		
	Improving Teacher Quality 24154	Title I School Improvement 24162	Medicaid 25153
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 1,314
Receivables			
Due From Grantor	0	0	0
Total Assets	\$ 0	\$ 0	\$ 1,314
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 24
Interfund Balance	0	0	0
Total Liabilities	0	0	24
Fund Balances			
Restricted for:			
Special Revenue	0	0	1,290
Total Fund Balances	0	0	1,290
Total Liabilities and Fund Balances	\$ 0	\$ 0	\$ 1,314

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	<u>Special Revenue Fund</u>		
	GO		
	Student Library 27107	Grow Dome 29102	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 1,015	\$ 4,272
Receivables			
Due From Grantor	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 1,015</u>	<u>\$ 4,272</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 24
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>24</u>
Fund Balances			
Restricted for:			
Special Revenue	<u>0</u>	<u>1,015</u>	<u>4,248</u>
Total Fund Balances	<u>0</u>	<u>1,015</u>	<u>4,248</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 1,015</u>	<u>\$ 4,272</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2016

	Special Revenue Fund		
	Food Service 21000	Title I 24101	IDEA B Entitlement 24106
Revenues			
Fees	\$ 111	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	48,333	30,603	40,383
Total Revenues	<u>48,444</u>	<u>30,603</u>	<u>40,383</u>
Expenditures			
Current			
Instruction	0	30,603	31,523
Support Services			
Students	0	0	8,860
Instruction	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service Operations	54,290	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>54,290</u>	<u>30,603</u>	<u>40,383</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,846)	0	0
Fund Balances at Beginning of Year	<u>7,789</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 1,943</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2016

	Special Revenue Fund		
	Improving Teacher Quality 24154	Title I School Improvement 24162	Medicaid 25153
Revenues			
Fees	\$ 0	\$ 0	\$ 4,951
State & Local Grants	0	0	0
Federal Grants	2,000	15,000	0
Total Revenues	<u>2,000</u>	<u>15,000</u>	<u>4,951</u>
Expenditures			
Current			
Instruction	2,000	15,000	0
Support Services			
Students	0	0	14,138
Instruction	0	0	0
Central Services	0	0	369
Operation of Plant	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>2,000</u>	<u>15,000</u>	<u>14,507</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(9,556)
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>10,846</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,290</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2016

	Special Revenue Fund		
	GO		
	Student Library 27107	Grow Dome 29102	Total
Revenues			
Fees	\$ 0	\$ 0	\$ 5,062
State & Local Grants	87	941	1,028
Federal Grants	0	0	136,319
Total Revenues	<u>87</u>	<u>941</u>	<u>142,409</u>
Expenditures			
Current			
Instruction	0	226	79,352
Support Services			
Students	0	0	22,998
Instruction	87	0	87
Central Services	0	0	369
Operation of Plant	0	0	0
Food Service Operations	0	0	54,290
Capital Outlay	0	0	0
Total Expenditures	<u>87</u>	<u>226</u>	<u>157,096</u>
Excess (Deficiency) of Revenues Over Expenditures	0	715	(14,687)
Fund Balances at Beginning of Year	<u>0</u>	<u>300</u>	<u>18,935</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 1,015</u>	<u>\$ 4,248</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-Food Service-21000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 0	\$ 0	\$ 111	\$ 111
Federal Grants	75,000	47,000	48,333	1,333
Total Revenues	<u>75,000</u>	<u>47,000</u>	<u>48,444</u>	<u>1,444</u>
Expenditures				
Food Services Operations				
Professional & Tech Services	0	175	175	0
Other Purchased Services	77,750	50,000	53,468	(3,468)
Supplies	2,250	4,748	781	3,967
Total Food Service Operations	<u>80,000</u>	<u>54,923</u>	<u>54,424</u>	<u>499</u>
Total Expenditures	<u>80,000</u>	<u>54,923</u>	<u>54,424</u>	<u>499</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,000)	(7,923)	(5,980)	1,943
Cash Balance Beginning of Year	<u>7,923</u>	<u>7,923</u>	<u>7,923</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,923</u>	<u>\$ 0</u>	<u>\$ 1,943</u>	<u>\$ 1,943</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,980)	
Net Change in Accounts Payable			134	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (5,846)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 30,613	\$ 30,613	\$ 30,601	\$ (12)
Total Revenues	<u>30,613</u>	<u>30,613</u>	<u>30,601</u>	<u>(12)</u>
Expenditures				
Instruction				
Personnel Services	22,000	22,000	21,772	228
Employee Benefits	5,613	5,613	5,088	525
Professional & Tech Services	0	0	854	(854)
Other Purchased Services	0	0	762	(762)
Supplies	3,000	3,000	2,125	875
Total Instruction	<u>30,613</u>	<u>30,613</u>	<u>30,601</u>	<u>12</u>
Total Expenditures	<u>30,613</u>	<u>30,613</u>	<u>30,601</u>	<u>12</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-IDEA B Entitlement-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 40,384	\$ 40,384	\$ 40,383	\$ (1)
Total Revenues	<u>40,384</u>	<u>40,384</u>	<u>40,383</u>	<u>(1)</u>
Expenditures				
Instruction				
Personnel Services	15,986	15,986	16,007	(21)
Employee Benefits	<u>15,985</u>	<u>15,537</u>	<u>15,516</u>	<u>21</u>
Total Instruction	<u>31,971</u>	<u>31,523</u>	<u>31,523</u>	<u>0</u>
Support Services				
Students				
Professional & Tech Services	<u>8,413</u>	<u>8,861</u>	<u>8,860</u>	<u>1</u>
Total Students	<u>8,413</u>	<u>8,861</u>	<u>8,860</u>	<u>1</u>
Total Support Services	<u>8,413</u>	<u>8,861</u>	<u>8,860</u>	<u>1</u>
Total Expenditures	<u>40,384</u>	<u>40,384</u>	<u>40,383</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-Improving Teacher Quality-24154
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 2,000	\$ 2,000	\$ 2,000	\$ 0
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Expenditures				
Instruction				
Professional & Tech Services	2,000	2,000	2,000	0
Total Instruction	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Change in Due from Grantor			<u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-Title I School Improvement-24162
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 15,000	\$ 15,000	\$ 15,000	\$ 0
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Expenditures				
Instruction				
Professional & Tech Services	0	841	841	0
Other Purchased Services	0	1,384	1,384	0
Supplies	15,000	6,297	6,297	0
Supply Assets	0	6,478	6,478	0
Total Instruction	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-Medicaid-25153
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 19,967	\$ 9,000	\$ 10,314	\$ 1,314
Total Revenues	<u>19,967</u>	<u>9,000</u>	<u>10,314</u>	<u>1,314</u>
Expenditures				
Support Services				
Students				
Personnel Services	10,708	7,296	7,297	(1)
Employee Benefits	3,667	2,543	2,537	6
Professional & Tech Services	10,400	2,767	3,545	(778)
Purchased Services	0	921	735	186
Total Students	<u>24,775</u>	<u>13,527</u>	<u>14,114</u>	<u>(587)</u>
Support Services				
Central Services				
Purchased Services	675	956	369	587
Total Central Services	<u>675</u>	<u>956</u>	<u>369</u>	<u>587</u>
Total Support Services	<u>675</u>	<u>956</u>	<u>369</u>	<u>587</u>
Total Expenditures	<u>25,450</u>	<u>14,483</u>	<u>14,483</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,483)	(5,483)	(4,169)	1,314
Cash Balance Beginning of Year	<u>5,483</u>	<u>5,483</u>	<u>5,483</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,314</u>	<u>\$ 1,314</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,169)	
Net Change in Due from Grantor			(5,363)	
Net Change in Accounts Payable			(24)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (9,556)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-GO Student Library-27107
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State & Local Grants	\$ 6,316	\$ 6,404	\$ 3,131	\$ (3,273)
Total Revenues	<u>6,316</u>	<u>6,404</u>	<u>3,131</u>	<u>(3,273)</u>
Expenditures				
Support Services				
Instruction				
Supplies	<u>3,272</u>	<u>3,360</u>	<u>87</u>	<u>3,273</u>
Total Instruction	<u>3,272</u>	<u>3,360</u>	<u>87</u>	<u>3,273</u>
Total Support Services	<u>3,272</u>	<u>3,360</u>	<u>87</u>	<u>3,273</u>
Total Expenditures	<u>3,272</u>	<u>3,360</u>	<u>87</u>	<u>3,273</u>
Excess (Deficiency) of Revenues Over Expenditures	3,044	3,044	3,044	0
Cash Balance Beginning of Year	<u>(3,044)</u>	<u>(3,044)</u>	<u>(3,044)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 3,044	
Net Change in Due from Grantor			<u>(3,044)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-Grow Dome-29102
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State & Local Grants	\$ 0	\$ 221	\$ 942	\$ (721)
Total Revenues	<u>0</u>	<u>221</u>	<u>942</u>	<u>(721)</u>
Expenditures				
Instruction				
Supplies	300	521	227	294
Total Instruction	<u>300</u>	<u>521</u>	<u>227</u>	<u>294</u>
Total Expenditures	<u>300</u>	<u>521</u>	<u>227</u>	<u>294</u>
Excess (Deficiency) of Revenues Over Expenditures	(300)	(300)	715	1,015
Cash Balance Beginning of Year	<u>300</u>	<u>300</u>	<u>300</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,015</u>	<u>\$ 1,015</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 715	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 715</u>	

The notes to the financial statements are an integral part of this statement.

Required Supplemental Information

State of New Mexico
Rio Gallinas Charter School
Schedules of Required Supplementary Information for Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.02340%	0.02340%
District's proportionate share of the net pension liability	\$ 1,074,252	\$ 1,444,215
District's covered-employee payroll	\$ 576,223	\$ 638,895
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.43%	226.05%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of District's Contributions

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 92,404	\$ 105,522
Contributions in relation to the contractually required contribution	\$ 92,404	\$ 92,446
Contribution deficiency (excess)	0	13,076
District's covered-employee payroll	\$ 576,223	\$ 638,895
Contributions as a percentage of covered-employee payroll	16.04%	14.47%

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Charter will present information for those years for which information is available.

The notes to the financial statements are an integral part of this statement.

Changes of Benefit Terms

The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

Changes of assumptions.

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015, the Board of Trustees of ERB implemented the following changes in assumptions for fiscal years 2015.

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Minor changes to demographic assumptions
 - c. Lower population growth from .50% to zero by removing population growth assumption for
 - d. Updated the mortality tables to incorporate generational improvements

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. COLA assumption of 2.00% per year
 - d. Retain net 4.75% real return assumption
 - e. Maintain current payroll growth assumption of 3.50%
 - f. Maintained experience-based rates for members who joined NMERB by June 30, 2010

See also the Actuarial Assumptions subsection of the financial statement note disclosure General Information on the Pension Plan.

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
Rio Gallinas Charter School
 Agency Funds - Activities
 Schedule of Fiduciary Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2016

	Balance 6/30/15	Receipts	Expenditures	Balance 6/30/16
Student Activity	\$ 0	\$ 1,864	\$ 1,133	\$ 731
Middle School	82	0	75	7
Art Fund	0	100	0	100
4th & 5th Grades	0	132	0	132
Total Activities	<u>\$ 82</u>	<u>\$ 2,096</u>	<u>\$ 1,208</u>	<u>\$ 970</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
Cash Reconciliation-All Funds
For the Year Ended June 30, 2016

		Beginning Cash <u>6/30/15</u>	Revenue	Expenditures	Ending Cash <u>6/30/16</u>
Operational	11000 \$	94,997 \$	873,999 \$	838,414 \$	130,582
Instructional Materials	14000	3,083	6,370	7,964	1,489
Food Service	21000	7,923	48,444	54,424	1,943
Federal Flow through	24000	0	87,986	87,986	0
Federal Direct	25000	5,483	10,314	14,483	1,314
State Flow through	27000	(13,598)	35,685	22,087	0
Local/State	29000	300	942	227	1,015
Public School Capital Outlay	31200	(14,987)	58,978	68,471	(24,480)
Senate Bill Nine	31700	(10,205)	12,183	28,322	(26,344)
Activities	23000	82	2,096	1,208	970
Total		<u>\$ 73,078</u>	<u>\$ 1,136,997</u>	<u>\$ 1,123,586</u>	<u>\$ 86,489</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Vendor Schedule
 For the Year Ended June 30, 2016

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
None								

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Governing Council of the Rio Gallinas Charter School

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Rio Gallinas Charter School (Charter) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Charter, presented as supplemental information, and have issued our report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2016-001, 2016-003

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as item 2016-001, 2016-002, 2016-003

Charter's Responses to Findings

The Charter's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

De'Ann Willoughby CPA PC

Clovis, New Mexico
November 11, 2016

Findings

Prior Year Audit Findings	Status
2013-007 Underreported Meals to NSLP	Resolved
2014-002 Expenditure Issues	Resolved
2014-003 Background Checks	Resolved
2014-005 Meal Counts	Resolved

Current Year Audit Findings

2016-001 Payroll Issues-Compliance and Internal Control-Significant Deficiency Condition

- (1) Two of thirteen sampled had copies of transcripts instead of originals.
- (2) Eight of thirteen sampled had I-9s that were not completed within three days of the hire date.
- (3) New hires were not reported.
- (4) One of thirteen did not have a NMPSIA enrollment form.
- (5) One of thirteen had a contract with stated percentages to be paid from two funds, but actual pay was a different percentage.
- (6) One CDL license expired on August 27, 2015.
- (7) The Charter does not have a stated work week and we could not determine if overtime was worked.
- (8) Time records were not kept for nonexempt employees.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

Cause

Management was not aware a copy of a transcript was not adequate. Management was not aware of how to complete an I-9 correctly nor the importance of it. Management was not aware new hires had to be reported. The missing NMPSIA form may have been misfiled. The percentages were entered incorrectly in the payroll module. The expired CDL was an oversight. Management did not understand what or why a work week was necessary or time records should be kept even for salaried employees.

Effect

The effect of not performing and documenting payroll issues correctly is monetary penalties that would certainly be substantial to this Charter School.

Recommendation

The Charter has outsourced all of the business manager duties that have the knowledge to comply with all of the complicated payroll issues.

Response

Many of the employees that were tested were hired in August and October. Since that time, RGS has contracted with Schoolability and has implemented new procedures to ensure that all documents are submitted and filed correctly.

The business manager is responsible for this finding and it is expected that the issues will be resolved during the current fiscal year.

2016-002 Board Minutes Review-Compliance-Other Matter

Condition

Of seventeen meetings, eleven did not have evidence that the agenda was posted 72 hours in advance of the meeting. Nine of the meetings did not show how each member voted. One meeting said "Draft" in the heading, but the web site stated final minutes.

Criteria

6.50.1.9 R. Board Procedures and General Authority Minutes of the Board. The authority shall keep written minutes of all its open meetings. The minutes shall include as a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered, if any, and a record, where appropriate, of any decisions and votes taken which show how each member voted. All minutes of meetings shall be open to public inspection at reasonable times. Draft minutes shall be prepared within 10 working days after the meeting. Minutes shall not become official until approved by the board. The minutes shall be kept on file as the permanent official record of the authority.

Cause

Management was not aware of the requirements.

Effect

Violation of 6.50.1.9 R.

Recommendation

Additional training is necessary to keep the records of the governing body correctly and accurately.

Response

Due to the timing of prior year audit, GC was not able to correct later in the year. Most of these exceptions happened at the beginning of the fiscal and since then have been corrected. The governing board continues to receive training to ensure they are up to date on requirements.

The governing body is responsible for this finding and expects it to be resolved immediately.

2016-003 Certification of Inventory-Compliance & Internal Control-Significant Deficiency

Condition

The Charter did not certify the inventory for the fiscal year ended June 30, 2016.

Criteria

Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition according to NMAC 2.20.1.16 (E) the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

Effect

Items that cost less than \$5,000 could be misappropriated intentionally or not intentionally. Without taking inventory and certifying it is not known if all inventory has been accounted for. Replacing items cost the Charter funds that could be spent on educating the students.

Cause

Management was not aware they had to obtain certification of the annual asset inventory.

Recommendation

An inventory should be taken annually, certified and approved in the minutes.

Response

Annual inventory is completed by staff but there was not an inventory report that was certified and signed by the governing authority. Management will ensure to complete report and verification at the end of each fiscal year and have it approved by the governing board.

The Director is responsible for the inventory and certification. It is expected to be resolved this current fiscal year.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 11, 2016. Those in attendance were Kurt Ludi, Director, Crystal Gallegos, Board Member and Audit Committee Member, Carmen Cavnar, Business Manager and DeAun Willoughby, CPA.